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UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

STANDARD GRADES FOR LIVESTOCK AND MEATS

By H. E. Reed, Assistant Chief,
Agricultural Marketing Service

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The use of standards in livestock and meat transactions is not new. Some sort of a standard is necessary if transactions are to be intelligently consummated. Even when a man swaps a blind horse, he consciously or unconsciously makes a comparison of the trade he is entering into with some other trade which he has seen, or with which he is familiar. He has some sort of a standard to guide him.

It is likely that the use of general terms for describing animals is as old as the commercial livestock and meat industry itself. During the early period of livestock marketing, such terms as "Native," "Western," "Good Native," "Fed Western," "Longhorn," and "Improved Texan" were used to describe certain grades of cattle and beef. These descriptions were based largely on the general locality in which the livestock was produced. In a broad way, the origin gave an indication of the quality of the animal, but no systematic attempt was made to classify quality strictly from the standpoint of ultimate use.

The terms used in the different markets had a similarity, but they did not mean the same on all markets. "Natives," for instance, a term which had a specific meaning at one market, meant something entirely different at another market. In the dressed meat trade, each slaughterer and processor had his own system of grade designation. Beef referred to by one wholesaler as "Good Native," might be comparable with beef referred to as "Fed Western" by another. It was impossible for either producers of livestock or distributors of meat to become familiar with all grade terminology used in the various markets.

This was the situation during the period when our livestock industry was undergoing its greatest expansion. As the industry expanded with the extension and improvement in transportation facilities, and the importance of our large central markets increased, the need became greater for a common language in livestock trading.

The first attempt to collect, define, and interpret the various grade terms used in the United States, and systematically to describe market classes and grades of livestock and dressed meat, was made early in this century at the University of Illinois by Professor H. W. Mumford and his associates. Professor Mumford's bulletin, "Market Classes and

Grades of Cattle, with Suggestions for Interpreting Market Quotations," was the outstanding publication in its field at that time, and even today livestock producers could well follow many of his suggestions.

This bulletin and other publications of the University of Illinois provided the basis used by the Department of Agriculture for formulating a standard classification for livestock and meats in 1917. When the livestock market news reports were started by the Department in 1918, the standard classification was used in reporting prices, trade conditions, and market trends. The early classifications have been revised, but these revisions have been occasioned by changes in consumer demands and production practices, and they have been necessary to keep the classifications abreast of the progress made in the livestock and meat industry. The basic method followed by Mumford and his associates in describing classifications continues to be the one which is followed today.

Uniform Standards, the Result of Market Research

The development of these uniform market classes and grades has been the result of much study and research. Investigation of market practices and customs in livestock trading at the large central markets show that animals are bought and sold on the basis of their merit for meeting one or another of several uses. The principal factors which determine the animal's usefulness are sex condition, age, weight, conformation, finish, and quality. These are the factors that are considered in grading animals under the Federal classification. Other factors, of course, affect the value of an animal, but it is impossible to give them consideration in the practical application of a uniform classification.

The classification now in use makes no allowance for the locality in which cattle are produced. The same is true with regard to breed. Using the Federal grading system, two steers may be graded as Choice, even though one is a Hereford produced in Texas and the other an Aberdeen Angus from Tennessee. Neither can the grades give consideration to "buyers' preferences" if they are to be applied in a practical way. Some buyers, for example, prefer feeder cattle from specified areas, or prefer individual brands within the same area, on the theory that these cattle have bred into them certain "good doing" characteristics which are not found in other cattle. Buyers are willing to pay a premium for such cattle, but if provision were made in the standards for all these factors and characteristics which determine the value of individual animals, a great deal of the present simplicity of the standards would be sacrificed.

Although the Federal classification has found a somewhat general use in livestock transactions, its greatest use has been as the basis for livestock market news reporting. To be of practical use, standard market classes and grades for livestock must take into account prevailing market customs and practices. To be effective they must be understood by anyone engaged in the production or marketing of livestock. Herein lies one of the most important problems in formulating standards for grades.

In order that they may be readily understood by producers, the class and grade groupings must be kept wide, but at the same time they must be narrow enough for producers to be able to interpret market quotations and price trends in terms of their own livestock.

A wide and general grade terminology is more easily understood, but more refined quotations and price comparisons can be made if the classes and grades are narrow and specific. In marketing livestock, however, both the buyer and seller, or their representatives, are usually present to examine the livestock. For this reason it is unnecessary to set up standards for grade sufficiently refined to indicate the actual selling price of each individual consignment.

General Acceptance of Standard Classification Came Slowly

It is now generally recognized that livestock market news reports and uniform classes and grades are essential to orderly marketing. Market reports provide producers with the basis for determining what is most profitable for them to produce, as well as where and when to sell. The reports enable producers to market the grade of livestock which they produce when the demand for that grade is the strongest and when prices are most favorable.

The standard classification as used in the market news reports was not generally accepted in the beginning. As an innovation it had to overcome a natural reluctance on the part of producers and market men to discard old established customs, and in the livestock industry a great many practices and customs had been developed. Each market had its own way of doing things, with which the patrons of that market had become familiar. It was natural that some were reluctant to abandon a system that was understood for any system that was new until the new had been thoroughly demonstrated to be superior to the old.

The gradual acceptance of standard classes and grades of livestock was largely due to the livestock market news reports, which had been needed for many years. To use the service, it was necessary to learn the meaning of the terms employed, since all quotations were made on the basis of the standard classification. Although many in the industry were reluctant to substitute for their own terminology the language of the standard classification, in the end the need for reliable market news outweighed their objections to the new grade standards.

This reluctance to accept the Federal grading program has not been found where the livestock industry is relatively new. In those areas no traditions or old prejudices need to be overcome. Such an area is in Georgia, Florida, Alabama, and in parts of adjacent States. The production of livestock on a commercial scale in this section has become increasingly important in recent years. In 1938 a new livestock market news office was opened at Thomasville, Ga., to furnish up-to-the-minute market information to producers in that area, for whom livestock market information is of increasing importance. The State Extension Services

and State Departments of Agriculture have done their part in making that area "grade conscious," and they have cooperated with the Agricultural Marketing Service in an extensive grade demonstration program.

Livestock Grades Are Not Perfect

Although it is generally agreed that the standard classes and grades of livestock are essential to the proper functioning of our livestock marketing system, it is admitted that the standards are by no means perfect. The animals within each grade are not identical. They have a range of values that depend not only on the factors which are given consideration in determining the grade, but on factors which cannot be given consideration in determining grade. In addition to buyers' preferences which have previously been mentioned there is, for example, the matter of fill. Lambs on some markets are generally recognized to carry less fill than lambs sold on other markets. Consequently they command a higher price, even though such lambs are of comparable weight and grade with other lambs. Hogs from some areas sell for more than those from other sections. If all the refinements necessitated by a perfect classification system were adopted, the result would be standards extremely difficult for producers to understand. The present system is a practical method of measuring with a fair degree of accuracy the most important factors that go to determine price.

The grading of livestock is no more an exact science than livestock judging, and graders are subject to the weaknesses of human judgment. Grading is based largely on visual appraisal and frequently differences of opinion will arise in spite of careful supervision. Our efforts are being directed at making the application of the standards uniform throughout the country, and during the last year considerable progress has been made along this line. It is our intention to continue our present system of grading supervision.

Meat Grading

Federal grading of meats started in 1923 as a special service to the United States Steamship Lines. The service was well received, and since that time a number of steamship lines, hotels, restaurants, dining car services, veterans hospitals, State, county, and city institutions, and other users of large quantities of meats have specified their quality requirements in terms of U. S. grades. They require that deliveries of meats bear the stamp of an official grader, indicating that he has examined the meat and accepted it as meeting the U. S. grade specifications as set out in the contract.

The use of the official U. S. standards in commercial grading, and the stamping of meat began in 1927, when the Better Beef Association became interested in promoting the sale of high-grade beef. A system was devised for identifying Prime and Choice grades of steer and heifer beef by a grade stamp that could be recognized by retailers and consumers, and the grading and stamping of beef with a ribbon stamp was started.

This service has been conducted in cooperation with the National Livestock and Meat Board since 1927. In 1928 meat grading was placed on a regular service basis and was made available upon request to anyone desiring grading of beef in which they were financially interested.

Wholesale Meat Grades More Complex Than Livestock Grades

In selling livestock, buyer and seller, or their representatives, are usually present when animals are sold. Numerous wholesale transactions in meat, however, are made entirely on the basis of description and the buyer has little opportunity to examine the meats offered prior to their sale. Provision must be made for describing meats so specifically that prices can be determined without examination of the product. This necessitates a fine grade segregation. In actual practice, such a segregation is possible because carcass meats may be selected on the basis of individual carcasses and may be grouped into more or less uniform lots or loads.

Meat grade standards, for wholesale use, must be sufficiently refined to provide for the segregation of the entire range of quality into a large number of groups within which the range of value is narrower than is necessary or advisable in the case of live animals. In this way the wholesale price range within each grade will be very narrow. An ideal standard for wholesale meat grades would divide the quality scale into enough groups to permit each to sell at a single price, although it would not be practical to put such a standard into operation.

The present grade standards are well adapted to the reporting of market news, and daily market news reports on wholesale meats are issued from New York, Boston, Philadelphia, and Chicago. Bi-weekly reports are issued by the San Francisco office. These comprehensive reports furnish the wholesale and retail meat trade with the essential information needed to keep informed on market supplies and price trends.

Grading Meat for Consumers

As a result of the educational efforts of Federal and State agencies, consumer organizations and others, consumers are becoming more and more interested in buying food on a quality basis. In response to this widespread interest, the Agricultural Marketing Service, which is charged with the duty of formulating standards for grades and applying them to agricultural products, has developed for a number of agricultural products grades that carry through to the consumers. As a result grade standards have been revised and the method of grade identification of a number of agricultural commodities has been changed. These changes involve commodities that heretofore have been graded primarily to facilitate wholesale transactions. Meat is one of them.

In grading primarily for the benefit of consumers, the need for a simple system is even more essential than when grading is done primarily for producers. Consumer grades must segregate the entire range of quality into a small number of grades. Consumers are primarily interested in

differences that affect the value of a commodity when sold at retail. Each grade must include a range of quality wide enough for consumers to distinguish the grade and permit retailers consistently to handle the grade best suited to their trade. Few retailers find it practical to handle more than one grade of a commodity such as meats, or to sell the same cuts at more than one price.

Consumers in general are interested only in grade factors that affect the value of the retail cut. They have little interest in the grade factors that are of importance only in wholesale transactions. When a carcass is broken into retail cuts, and those cuts are trimmed and in many cases boned, some of the factors which are taken into account in wholesale grading are no longer of importance. Conformation, for example, which materially influences the respective percentages of wholesale cuts and has a major significance as a wholesale grade factor, has little bearing on the grade of an individual retail cut of meat. Likewise, waste, which is an important item to the retailer, has little significance to the consumer, if the excess fat is removed in a retail store.

In the process of simplifying retail grades, class has been eliminated from the retail grade and also from the grade stamp placed on beef. Grade specifications, however, are so worded that each carcass or wholesale cut is placed in the grade where it belongs on the basis of its quality. This was regarded as a constructive move, in that it has simplified the purchase of graded beef by the consumer without impairing the integrity of the grade stamp as the consumer's guarantee of quality. For example, it is now possible for a consumer to buy a Choice or a Good piece of beef with the assurance that he is getting Choice or Good quality, whereas under the former system a Choice or a Good piece of beef might have been Choice or Good steer, or Choice or Good heifer, or Choice or Good cow, the latter being a decidedly poorer quality than the other two. Under the present system of grading, only steer and heifer beef can be graded as high as Choice. This system has undoubtedly aided in creating a greater demand for such grades in that consumers may select the grade of meat suitable for his purposes, regardless of how limited their knowledge may be of the factors that determine meat grades. And it is reasonable to assume that consumer preferences for meat by grade are reflected back through the retail and wholesale prices to the livestock market, and tend to establish the relationship between the prices of different classes and grades of live animals on the basis of consumer demand for the different grades of meat.

Correlation Between Livestock and Meat Grades

Correlation between the grades for livestock and grades for meat has not been overlooked in the Federal grading program. Choice steers and heifers, for example, produce beef that is described in the wholesale meat trade reports as Choice steer and heifer beef, and it is graded and stamped for retail sale to consumers as Choice beef. But a number of factors that enter into the grading of livestock and meats, such as yield in live cattle, and color of lean and fat in beef, do not directly correlate.

It is most unusual for lambs to be^{so}/sorted alive that the selling price of live lambs and the wholesale quotations for dressed lambs show a high degree of correlation. Lamb quotations are based on the composite selling price of load lots that nearly always include several grades of lambs. Dressed lamb prices on the other hand are based on the sale of dressed lamb carcasses that are individually sorted for weight and grade. A high degree of comparability cannot be obtained by comparing quotations based on these widely divergent methods of selling.

A rather extensive research study to determine the comparability of quotations for live cattle and dressed beef on a grade basis, was recently completed. This study primarily involved the extent to which the grading of live cattle was comparable with the grading of dressed beef. Included in the study were about 8,000 separate lots of graded cattle and beef. Surprisingly, the average discrepancy between the two was less than one-third of a grade. Fundamental factors accounting for the lack of comparability between the live cattle quotations and dressed beef quotations have since been corrected insofar as possible. Our researches along this line and our efforts through a system of supervision to make the application of meat grades more uniform and to correlate them with live animal grading are being continued.

Government Grade Objectives

The objectives of the present Government program for grading livestock and meats are:

- (1) A class and grade terminology in livestock grading and market news reporting that is generally recognized and understood by producers, and which will provide a basis for giving them information needed in the conduct of a modern livestock industry;
- (2) Standards for grades of carcass meats and wholesale cuts that are more specific as to quality and weight segregation than is practical for livestock market reporting, but which will provide a satisfactory basis for wholesale trading, and can be correlated with grades for livestock; and
- (3) The grouping of wholesale weight and grade segregations into consumer grades that are based largely on the quality of meat.

The Department is proceeding in the belief that from such a program livestock producers, the meat industry, and consumers will benefit.

